

Semester 2

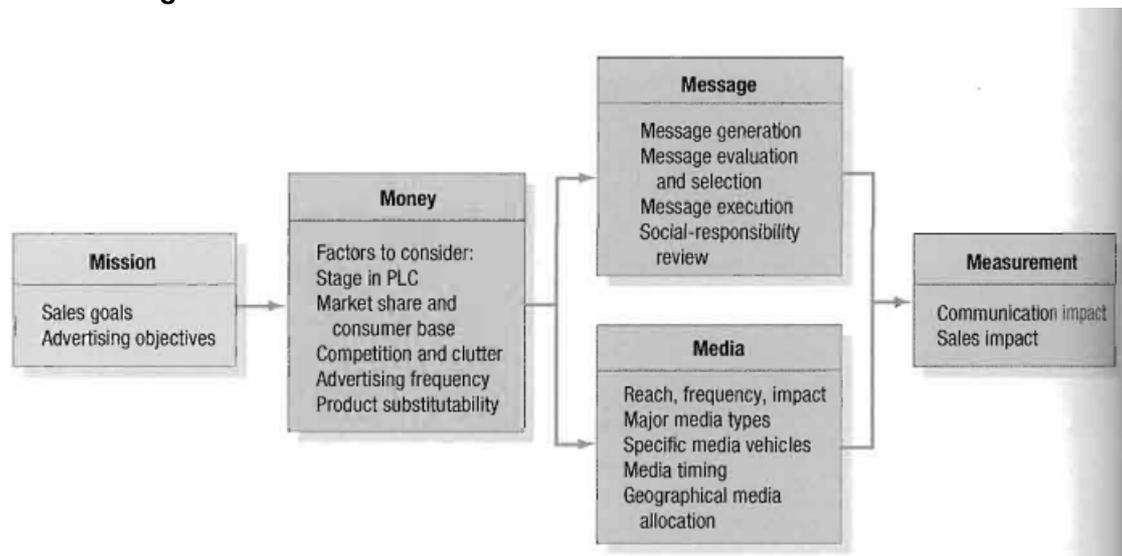
MARKETING MANAGEMENT

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PROMOTION

LECTURE 2

1. Advertising



Goals

Advertising aims at fulfilling a communication task on a select group of audience for a particular period. There are mainly two goals for advertising: (i) increasing brand usage and (ii) proving brand superiority.

- (a) *Informative advertising*: to create a brand awareness or information about the product. However, brand information should not come at the cost of brand attitude (e.g. Duracell batteries).
- (b) *Persuasive advertising*: to create likings, preference, conviction and purchase of a product through comparative advertising by comparing two or more attributes of the competing brands (Complan).
- (c) *Reminder advertising*: aims to stimulate repeated purchase (Coca-cola)
- (d) *Reinforcement advertising*: aims to convince that the purchase was a right choice (automobiles)

Budget

FMCGs normally overspend their advertising expenses, while industrial companies underspend it. As advertising creates brand equity and customer loyalty, the expenditure incurred on advertising is called deferred revenue expenditure.

Factors affecting budget

- (i) Stages in product life cycle: new product required more budgets for advertising; however established product requires lower advertising cost for established product.
- (ii) Market share and consumer base: high market share requires lower advertising budget and vice versa.
- (iii) Competition and clutter: high competition requires higher spending on advertising.
- (iv) Advertising frequency: the number of repetitions needed for putting the brands message to the customers has an obvious impact on budget.
- (v) Product substitutability: brands with high product differentiation requires high spending on advertising to establish its differentiated image (cold-drinks)

Advertising elasticity

Response function for advertising is normally S-shaped. For new products, advertising elasticity is 0.3 while for established products it is 0.1. In case of TV advertisements, the success rate is around 50%. After a successful spending the effect lasts for another 2 years.

Advertising campaign

- Message strategy (what ad is to be shown)
- Creative strategy (how the ads are to be shown)

(a) Message generation and evaluation

The marketer should find two or more USPs of the product and create brand positioning by preparing one positioning statement. Then the marketer should prepare a creative brief of the product incorporating therein the key message, target audience, communication objective, key brand benefits, supports for brand promise and media. Based on that, the marketer should deliberate on the different alternative messages. More the alternatives, more is the probability of a successful advertising. Due to presence of computers, sketches of advertising have become really inexpensive. Sometimes customers are also selected as the creative team, calling it open source or crowd-sourcing, where they are asked about the right message for the product. It may sometimes be successful but in most of the situation, they may be a failure.

(b) Creative development and execution

- (i) TV Ads: it can vividly portray the attributes of the product, use product imagery, create brand personality and explain the product benefits. TV can reach out to a large number of prospective consumers and cost per exposure is also low. However, due to emergence of other medias and similar ads by the competitors, the consumers are found to ignore TV ads unless it is extremely persuasive and entertaining with a great social message.
- (ii) Print ads: print ads mainly refer to newspaper and magazine. In a print ad, there are mainly three sections – picture, headline and copy. Even for an outstanding ad, 50% will notice the ad, 35% will remember the headline, 20% will recall the advertisers name and 10% have read the entire copy. Unlike broadcast media, in print media dynamic use of product image cannot be shown. However, user can read this ad at their own pace and time and detailed information about the product can be provided. While magazine is more user-centric, newspaper is more pervasive and catering to the local customer base. Out of the total number of persons buying a newspaper, twice of them read it. Color, image, structure of the ad directly impacts the quality of ads. However, the cost of a quality print-ad may not bring in the same amount of response.

- (iii) Radio ads: more than 90% of the citizen with more than 12 years of age listens to radio. While radio cannot demonstrate the product image, it can create unique ad by the use of music, sound and plays with consumers imagination. It is mainly effective in the morning session and cost of exposure is also comparatively less. It also caters to the local products.

(c) *Legal and social issues*

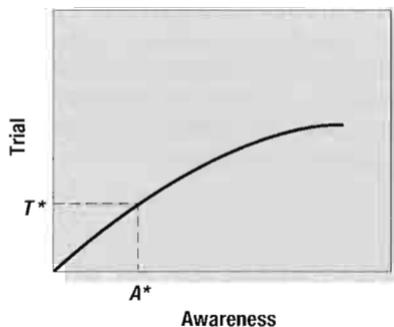
The ads must conform to the legal and social issues in force. The ads must not deceive the customers by demonstrating an untrue attribute of the product. It should not draw the customers by showing a lesser price and switching them to a comparatively expensive product by projecting the bad points about the inexpensive product. The ads should not hurt the emotions of an ethnic group, racial territories or other interest groups.

Deciding on media

- (a) Deciding on reach, frequency, and impact
- (b) Choosing among major media types
- (c) Selecting specific media vehicles
- (d) Deciding on media timing
- (e) Deciding on geographical media allocation

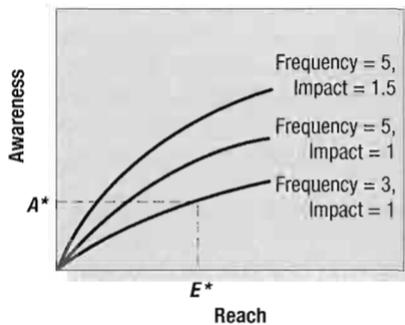
Deciding on reach, frequency, and impact

A cost effective advertisement will lead to desired number and type of exposures. Number of exposures will be represented in terms of product trial (T^*). It will grow a diminishing rate with the growth of brand awareness. So, the advertisement should be able to create a brand awareness up to A^* so that it leads to a trial of T^* .



On the other hand, type of exposure (E^*) depends on reach (R), frequency (F) and impact (I) as follows:

- (a) *Reach*: number of persons exposed to a particular media schedule over a particular period of time. It is important for brand extension, infrequently purchased brand, unknown target, etc.
- (b) *Frequency*: the number of times within a specific time period an average number of person are exposed to a particular media schedule. It is important in case of strong competitions, complex product, high consumer resistance, frequent purchase style.
- (c) *Impact*: the qualitative value of an exposure through a given media (e.g. advertisement of food items on a food magazine)



Suppose, the cost of advertisement is Rs. 100000 and the average quality of exposure (impact) is Rs. 5/ 1000 exposures. Then the reach is $[\text{Rs. } 100000 / (\text{Rs. } 5/1000)] = 20000000$. Say, this 2 crore target consumer is 80% of the total number of target audience. If the frequency of exposure is 3, then total number of exposure or gross rating point (RXF) is 240. The weighted value of exposure (RXFXI) in the current example is $80 \times 3 \times 5 = 1200$. Based on the weighted value of exposure, the quality of media is to be decided.

Choosing among major media types

Major media types are selected based on following parameters:

- (a) *Media habits*: TV and radio are most effective for teens;
- (b) *Product characteristics*: women dresses are best portrayed in magazines whereas tech items are best portrayed in TV.
- (c) *Message characteristics*: a communication about a major sale tomorrow is to be done through TV, radio or newspaper. However, a technical product which requires a big deal of information is to be done through magazine or mailings.
- (d) *Cost*: TV is more costly than the other media types.

Based on the above parameters, the advertisers must allocate their budget.

Selecting specific media vehicles

It has been observed through research that an effective advertisement campaign should use a portfolio of TV (32%), radio (9%), newspaper (20%), magazine (11%) and out-of-home advertisements (bill boards, public places, point-of purchase ad). It depends upon the following factors:

- (a) *Timing of the ad*: when a particular ad is shown in the TV decides its cost for 30 seconds slot. In case of prime-time shows, the cost will be much higher than a normal timing. If the ad is shown during the program, the audiences like, it will have more impact.
- (b) *Circulation*: number of physical units carrying the advertisement
- (c) *Audience*: the number of people exposed to those units (if pass-on benefits are there, audience will increase)
- (d) *Effective audience*: % of target audience in the total number of people exposed
- (e) *Effective ad-exposed audience*: % of target audience who saw the ad
- (f) *Cost/ 1000 exposure*: the media with minimum cost/ 1000 exposure may be selected. Some magazines publish their readers' profile, so that the advertisers can calculate the cost/ 1000 exposure.
- (g) *Quality of the exposure*: if an ad of baby lotion is seen by 1000 mothers, then 1000 is quality exposure of the advertisement. But if it is seen by 1000 teens, the quality exposure may be 0.
- (h) *Attention probability*: ad in Vogue will have more readership than any normal magazine.

- (i) *Editorial quality*: it influence the prestige and believability of an ad
- (j) *Extra services*: if an ad is shown in different regional languages it will have more impact.

Deciding on media timing

- (a) Macro scheduling
- (b) Micro scheduling

Macro scheduling

Scheduling media timing over a long period - The advertisers should evaluate the sales during the entire year and identify any seasonality in the sales. The advertisement should be made in accordance with the seasonality, against it or in a continuous fashion.

Micro scheduling

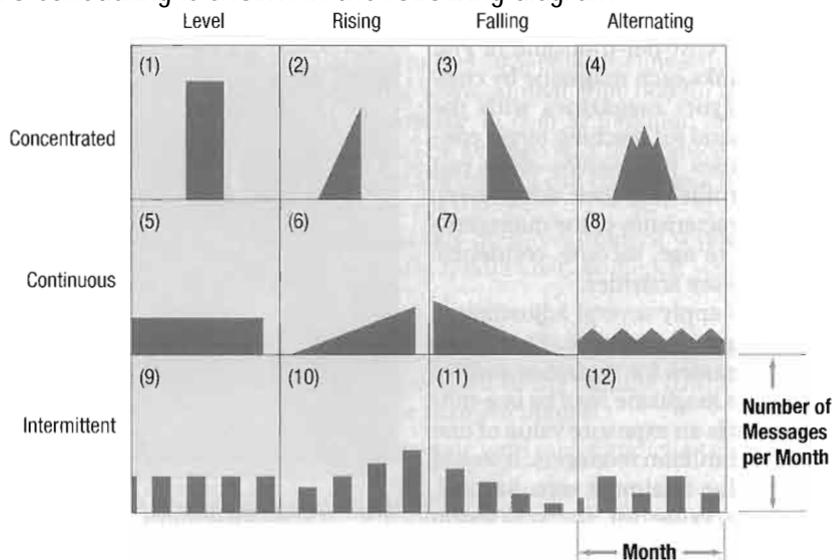
Scheduling the media timing over a short period to get maximum impact – based on continuity of the advertisement over that period, media timing can be classified under following heads:

- (a) *Concentrated*: a single period. Applicable for selling season.
- (b) *Continuous*: spread over the period. Applicable in case of extending market, frequency of purchase and tightly defined target groups.
- (c) *Intermittent*: scattered over the period
 - i) *Flighting*: advertisement in one period – then no advertisement in the next period – followed by advertisement in the following period and so on. It is applicable when the budget for advertisement is comparatively low but the item is seasonal.
 - ii) *Pulsing*: low advertising over the period with weaves of heavier activity. The customers would know better about the product.

Continuity of the media depends upon the following issues

- a) Buyer turnover: the rate at which new customers enter the market
- b) Frequency of purchase: the frequency at which purchase is made during a single period
- c) Forgetting rate: rate at which the advertisement is forgotten.

If the funding for advertisement is at level, or rising or falling or alternating, the behaviour of micro scheduling is shown in the following diagram:



Deciding on geographical media allocation

Media allocation is made based on geographical location of the customers as follows:

- (a) National buys: TV or nationally distributed magazines
- (b) Spot buys [areas of dominant influence (ADI) or designated marketing areas (DMA)]: regional TV channels or regional magazines
- (c) Local buys: newspaper, out-of-home advertisements.

Evaluating advertising effectiveness

- (a) Communication effect measure
- (b) Sales effect measure

Communication effect measure

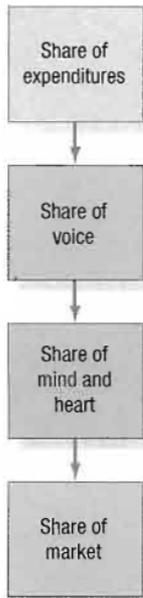
Communication effect measure is designed when the advertisement is prepared for the media as well as after it is printed or broadcasted. There are three methods:

- (a) Copy testing: consumers are asked about their feedback on a particular ad by asking them the following questions:
 - What is the main message?
 - What does it make you believe?
 - How likely this ad would make you undertake an action?
 - What works well and what works poorly?
 - How does it make you feel?
- (b) Portfolio testing: consumers are asked about a portfolio of different ads to know how far they can recall the content. The interviewer may aid the interviewee in this process. More the recall rate, more effective is the advertisement.
- (c) Laboratory testing: consumers' physical reaction (e.g. heart beat, blood pressure, pupil dilation, galvanic skin response, perspiration, etc.). A knob will be attached to the consumers which will tell their momentary reaction to the advertisement. There have been tests to analyse the neural reaction of the brain to a particular ad. While it will show the level of attention provided by the consumer, it will say nothing about their belief and liking about the advertisement.

While pretesting does not guarantee the actual success of the ad (e.g. Nike does not pretest their ads that much). In fact if the brand awareness does not increase to the required level, it may also be due to lack of spending.

Sales effect measure

This measure is effective in case of direct marketing, but not that much in case of building an image. It measures the effectiveness of an ad in the post-sales scenario. If sales of the product happen, how much portion of it is due to the advertisement? While there are other factors for increasing sales, like price of the product, advertisements can increase the brand awareness and preference up to 20% and 10% respectively. How the share of total expenditure made by the company for advertisement gets converted into share of market is shown in the following diagram.



Some marketers also use statistical techniques to find out the impact of advertisement on the impact of sales based on historical data. Experimental research designs have also been used for the same purpose (Milward Brown International, Nielson, etc.)